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The Role of Employee Outcomes in the Relationship between Learning Organization and Performance of Large Manufacturing Firms

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Research in human resource strategy that attempts to link learning organization strategies with firm performance across many organizations, sometimes fails to pay attention to intervening variables that help to explain the nature of the relationship. This study was motivated by the desire to fill this gap in knowledge. The objective of the study was to assess the mediation of employee outcomes in the relationship between learning organization and performance measured in both financial and non-financial terms. Cross-sectional survey design was used. A structured questionnaire based on a five-point likert type scale was used to collect data from 108 large manufacturing firms. Descriptive and inferential statistics were used to analyze data. Findings did not provide sufficient evidence to support mediation of employee outcomes in the relationship between learning organization and firm performance. The results contradict previous theoretical assumptions and empirical studies. However, the study confirmed that learning organization has a significant influence on employee outcomes. The results present diverse implications for policy, practice and research. Human resource development practitioners can use the findings to support the case for implementation of learning organization initiatives. Policy makers can use the findings to align learning organization practices and employee outcomes in the manufacturing sector to achieve superior performance. The study contributes to knowledge in human resource management on the role of employee outcomes in the learning organization–performance relationship.

Key words: Learning organization, employee outcomes, firm performance

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Introduction

Learning organization has been theorized in literature to have a significant influence on work outcomes. Dekoulou and Trivellas (2015) argue that individuals employed by companies that have adopted the learning organization approach are strongly motivated and tend to experience positive psychological outcomes such as commitment and satisfaction. Organizations that provide staff members with adequate resources and opportunities for learning, self-enhancement and professional advancement, enhance their job satisfaction (Rowden&Conine, 2005). Gaertner (2000) states that leadership which promotes teamwork, stimulates questioning, sets examples and offers rewards is widely considered a significant contributor to job satisfaction. In addition, Watkins and Marsick (1993) argue that the adoption of learning organization practices enables employees to acquire new skills and knowledge, to participate in work groups and decisively contribute to organizational vision. The implementation of learning organization strategies not only enriches employees' knowledge but also boosts their commitment to organizational goals, increases their productivity and performance (Bhatnagar, 2007).

The purpose of the current study is to explore the relationship between learning organization, employee outcomes (organizational commitment and job satisfaction) and performance in large manufacturing firms in Kenya. The influence of learning organization on work-related outcomes has been the subject of significant empirical investigation. However, most of the studies focus on separate measures either job satisfaction or organizational commitment (Chang & Lee, 2007; Bhatnagar, 2007; Chiva&Alegre, 2009;Aghaei, Ziaee&Shahrbanian, 2012). To the authors' knowledge, the linkage between learning organization and the two outcomes (job satisfaction and organizational commitment) and firm performance has not been adequately addressed. In addition, given that manufacturing firms have been facing a number of challenges ranging from high cost of production, competition from cheap imports to poor infrastructure which limits their competitiveness, this study is quite timely as this relationship has not been studied in a manufacturing sector.

Learning Organization

The benefits of learning organization are well articulated in the management literature (Khadra&Rawabdeh, 2006; Prieto& Revilla, 2006). The learning organization concept is seen as a resource-oriented approach that is based on the ability of the organization to turn standard resources that are available to all into competences which are unique and cannot be easily copied by competitors (Karash, 2002).Eisenhardt and Martin (2000) propose that in addition to the resources, the organization processes are important because they facilitate the manipulation of resources into value creating strategy.This study focuses on dimensions of the learning organization questionnaire (DLOQ) proposed by Yang, Watkins and Marsick (2004).This tool consists of seven dimensions: continuous

learning, dialogue and inquiry, team learning, embedded systems, empowerment, system connectivity and strategic leadership.

Extensive literature review on learning organization provides various definitions. Jamali et al. (2009) observe that there is lack of consensus among researchers and practitioners with regard to a common definition of learning organization and ambiguity still exists regarding what a learning organization is or should be. Garvin (1993) contends that although organizational theorists have studied this concept for many years, a clear definition remains elusive. While some scholars focus on systemic thinking (Senge, 1990; Pedler, Burgoyne &Boydell, 1991), others emphasize on behavioral change (Huber, 1991; Garvin, 1993; Rowden, 2001).This study is anchored on Lewis (2002) definition of a learning organization as an organization in which employees are continually acquiring and sharing new knowledge and are willing to apply that knowledge in making decisions or performing their work. The study focuses on individual, team and organizational learning and how this learning can lead to improved firm performance.

Employee Outcomes

Employee outcomes are affective dispositions associated with work-related attitudes (Luthans, 2011). Wright and Kehoe(2013) proposed that employee outcomes consist of affective reactions such as satisfaction and commitment as well as behavioural reactions such as absenteeism and turnover. Huselid (1995) identified job satisfaction and organization commitment as immediate outcomes of human resource management practices, organization culture and leadership.

Further, Armstrong (2006) argued that job-related attitudes such as job satisfaction and organizational commitment have far reaching impact on organizational performance. Mulabe (2013) observed that systems of HRM practices increase employee discretionary effort and affect intermediate outcomes such as commitment and satisfaction. In addition, (Ibua, 2014) suggested that job satisfaction and organizational commitment have a strong relationship which affects performance. This study focuses on two immediate outcomes of HRM practices namely: job satisfaction and organizational commitment.

Organizational commitment is the relative strength of an individual's identification and involvement in a particular organization (Mowday, Porter & Steers. 1979). Organizational commitment produces a strong desire to maintain membership in the organization (Meyer & Allen, 1991). Committed employees are those who share common values, beliefs and goals espoused by the firm (Mowday et al., 1979). They display behaviours of increased involvement and citizenship, a strong desire to retain membership in the organization, willingness to exert considerable effort on behalf of the firm and have a tendency of working closely with superiors (Guest, 1987). Rodriguez and Ventura (2003) found that internal system of human resource management practices are associated with organizational commitment, a strong positive state of

psychological and emotional attitude which develops as employees interact with one another.

Job satisfaction is an emotional state resulting from the appraisal of one's job (Locke, 1976). Pool and Pool (2007) argued that job satisfaction arises from the individuals' perception of their jobs and the degree to which there is a good fit between the individual and the organization. In addition, Locke (1976) observed that satisfied employees have better mental and physical health, they learn new job-related tasks more quickly and are more productive. Job satisfaction is generally recognized as a multifaceted construct that includes both intrinsic and extrinsic job elements. Intrinsic factors include recognition, responsibility advancement and personal growth. Extrinsic factors are associated with company policies, supervisory practice, pay system and working conditions. Job satisfaction is therefore reflected in the cumulative effect of met worker expectations.

Firm Performance

Firm performance refers to the extent to which an organization is able to meet its objectives and mission. Torrington, Hall and Taylor (2008) attribute organizational performance to bottom financial performance, doing better than competitors, maximum organization effectiveness and achieving specific organization objectives.Performance measurement incorporates quantitative (objective) as well as qualitative (subjective) measures. Quantitative measures focus on end results such as sales turnover and return on investment while qualitative measures focus on the process by which end results are achieved such as product or service quality, customer satisfaction, employee satisfaction and commitment (Venkattraman&Ramannujam, 1986).Hitt (1996) argues that a valued measurement system incorporates financial and operational measures such a balanced scorecard approach.The BSC provides a framework for selecting multiple performance indicators that supplement traditional financial measures with qualitative measures such as customer perspective, internal business process and learning and growth.This study focused on perceptual measures of financial performance and non-financial measures such as customer perspective, internal business operations and learning and growth.

Large Manufacturing Firms in Kenya

Kenya's manufacturing sector has been identified as one of the key productive sectors under Vision 2030 due to its contribution to wealth creation, employment generation and poverty alleviation (Manufacturing Survey, 2012). In addition, the sector supports the country's economic development agenda through earning foreign exchange and attracting foreign direct investment (Cheruiyot, Jagongo&Owino, 2012).However, manufacturing firms face a number of challenges which need to be addressed in order to ensure success of the sector. Low-quality raw materials, rising labour costs, expensive energy have led to high costs of production hence limiting their

competitiveness in regional and international markets.

Locally, manufactured goods comprise 25 percent of Kenya's exports. However, the share of Kenyan products in the regional market is only 7 percent of the US $ 11 billion regional market. The East African market is dominated by imports from outside the region (GOK,2007). This is an indication that there is large potential to improve Kenya's competitiveness in the region by replacing external supplies. The government's goal for the manufacturing sector is to increase its contribution to GDP by at least 10 percent per annum.
This will be achieved by focusing on three strategic thrusts such as: strengthening local productivity capacity to increase domestically manufactured goods, raising the share of Kenyan products in the regional market from 7 to 15 percent and developing niche products through which Kenya can achieve a global competitive advantage (GOK, 2007). To improve their levels of competitiveness, manufacturing firms need to adopt learning organization practices which can affect individual employee work attitudes and subsequently firm performance through their influence on employee skills and motivation.

Methodology

The current study was conducted in 108 large manufacturing firms in Kenya. Cross-sectional was used and data collected from a cross-section of study units. This design was considered appropriate for collecting data from the sampled population with respect to several variables of study.The choice of this design was guided by the purpose of the study which was to compare the performance of firms in terms of learning organization and employee outcomes. A structured questionnaire was used to collect data from employees in managerial positions based on the fact that they possess sufficient knowledge regarding issues under investigation. 72 valid questionnaires were returned resulting in 66.7 percent response rate.

Instrument validation was achieved through the use of survey items draw from existing theory-driven research. Content validity was determined by conducting a pilot test on selected managers of five manufacturing firms which do not form part of the population. The data collected through the pilot survey was used to modify the questionnaire in order to improve levels of clarity. The questionnaire was tested for reliability through computation of Cronbach's Alpha (α) which ranges from 0 to 1. Consistent with Nunnally (1978) suggestion, only constructs above 0.70 were considered for further analysis as they are deemed to be internally consistent and the scales were considered reliable. The Cronbach's Alpha for all the variables was above 0.7 revealing a very high degree of reliability. Learning organization obtained (0.910), employee outcomes (0.933) and firm performance (0.860) respectively.

Stepwise regression analysis was performed to test the hypothesized relationship between learning organization, employee outcomes and firm performance. Learning organization was measured as a composite index of continuous learning, dialogue and

inquiry, team learning, embedded systems, empowerment, system connectivity and strategic leadership. Employee outcomes was calculated as a composite index of organizational commitment and job satisfaction.Financial performance was computed as a composite index of perceptual measures comprising net profit margin, gross profit margin, growth in sales and return on shareholders' investment. Non-financial performance was measured as a composite index representing customer perspective, internal business process, learning and growth.

Results

The objective of the study was to determine the mediation of employee outcomes in the relationship between learning organization and firm performance. The following hypothesis was tested to establish the relationship.

H_1: The influence of learning organization on performance of large manufacturing firms is mediated by employee outcomes

The Baron and Kenny (1986) mediation model was used to test for mediation. Testing for mediation involved four steps. First, the dependent variable (firm performance) was regressed on independent variable (learning organization) to determine the size and direction of the relationship. In the second step, the mediating variable (employee outcomes) was regressed on the independent variable (learning organization) and the beta examined for its size, direction and significance. Step 3 involved regressing performance on employee outcomes. The beta was examined to determine the significance of the relationship. Step four involved testing the influence of learning organization (predictor variable) on financial performance (dependent variable) when controlling for the effect of employee outcomes (mediator). To confirm mediation, steps 1, 2 and 3 must be significant. In step 4, the independent variable loses significance when controlling for the effect of mediating variable on dependent variable. Separate statistical tests were performed for financial and non-financial measures of performance. The results of the tests of hypothesis with financial performance as the dependent variable are presented in Table 1

Table 1: Regression Results for the Mediation of Employee Outcomes in the Relationship between Learning Organization and Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.260	.067	.051	.15396					
2	.565	.319	.306	.09166					
3	.136	.019	-.001	.15890	.019	.944	1	50	.336
4	.292	.085	.048	.15495	-.234	3.584	1	49	.064
ANOVA									

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4	.292	.085	.048	.15495	-.234	3.584	1	49	.064

ANOVA

Model		**Sum of Squares**	**df**	Mean Square	F	Sig.
1	Regression	.096	1	.096	4.050	.049
	Residual	1.327	56	.024		
	Total	1.423	57			
2	Regression	**.208**	**1**	**.208**	**24.794**	**.000**
	Residual	**.445**	**53**	**.008**		
	Total	**.653**	**54**			
3	Regression	**.024**	**1**	**.024**	**.944**	**.336**
	Residual	**1.262**	**50**	**.025**		
	Total	**1.286**	**51**			
4	Regression	**.110**	**2**	**.055**	**2.288**	**.112**
	Residual	**1.176**	**49**	**.024**		
	Total	**1.286**	**51**			

Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.260	.067	.051	.15396					
2	.565	.319	.306	.09166					
3	.136	.019	-.001	.15890	.019	.944	1	50	.336
4	.292	.085	.048	.15495	-.234	3.584	1	49	.064

ANOVA

	B	Std. Error	Beta		
1 (Constant)	**.468**	**.130**		**3.603**	**.001**
Learning Organization	**1.712**	**.851**	**.260**	**2.012**	**.049**
2 (Constant)	**.364**	**.085**		**4.258**	**.000**
Learning Organization	**2.745**	**.551**	**.565**	**4.979**	**.000**
3 (Constant)	**.572**	**.156**		**3.664**	**.001**
Employee Outcomes	**.192**	**.197**	**.136**	**.971**	**.336**
4 (Constant)	**.435**	**.168**		**2.580**	**.013**
Employee Outcomes	**-.058**	**.234**	**-.041**	**-.250**	**.804**
Learning Organization	**2.183**	**1.153**	**.314**	**1.893**	**.064**

Model 1 Predictors: (Constant) Learning Organization
Model 2 Predictors: (Constant) Learning Organization
Model 3 Predictors: (Constant) Employee Outcomes
Model 4 Predictors: (Constant) Employee Outcomes, Learning Organization
Dependent Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.260	.067	.051	.15396					
2	.565	.319	.306	.09166					
3	.136	.019	-.001	.15890	.019	.944	1	50	.336
4	.292	.085	.048	.15495	-.234	3.584	1	49	.064

ANOVA

Model 1, 3, 4: Financial Performance

Model 2: Employee Outcomes

Source: Primary Data (2015)

Step One: The influence of Learning Organization on Financial Performance

In step one, the dependent variable was regressed on the independent variable. This was to establish whether the independent variable (learning organization) is a significant predictor of dependent variable (financial performance). Results in Table 4.20 reveal that 6.7 percent of variance in financial performance was explained by learning organization (R^2=0.067, P<0.05). However, the model did not explain 93.3 percent of variation in financial performance, suggesting that there are other factors associated with financial performance which were not included in the study. The overall model was statistically significant (F= 4.050, P<0.05). The beta coefficient for learning organization was also significant (β=1.712, t=2.012, P<0.05) thus confirming step one in testing for mediation.

Step Two: The influence of Learning Organization on Employee Outcomes

The second step was meant to determine the influence of learning organization on employee outcomes. The results in step two show that learning organization explains 31.9 percent of variation in employee outcomes (R^2=0.319, P<0.05). R^2 changes from 0.067 in step one to 0.319 in step two (R^2 change=0.252). This implies that learning organization has a significant influence on employee outcomes. The F ratio (F=24.794, P<0.05) and the beta coefficients (β= 2.745, t=4.979, P<0.05) were statistically significant. The second step in testing for mediation was thus met.

Step Three: The influence of Employee Outcomes on Financial Performance

Testing for the influence of employee outcomes on financial performance yielded the results presented in step 3. The results indicate that only 1.9 percent of variance in financial performance was explained by employee outcomes (R^2=0.019, P>0.05). R^2 changes from 0.319 in step two to 0.019 in

step three (R^2 change = -0.3). This implies that employee outcomes is a weak predictor of financial performance. The F ratio was not statistically significant (F= 0 .944, P>0.05). The change in F value (F change =0.944) at P<0.05 was not significant. Equally, the beta coefficient was not significant (β= 0.192, t=0.971, P>0.05). The third condition in testing for mediation was not met.

Step Four: Learning Organization, Employee Outcomes and Financial Performance

In step four, when controlling for employee outcomes, the regression model was not statistically significant (R^2= 0.085, P>0.05). The overall model was not statistically significant (F= 2.288, P>0.05). The change in F value (F change = 3.584) at P<0.05 was not significant. The beta coefficients for employee outcomes (β= -0.058, t=-0.250, P>0.05) and learning organization (β= 2.183, t=1.893, P>0.05) were not significant. The results did not provide sufficient evidence to support the mediation of employee outcomes in the relationship between learning organization and financial performance. It was however clear, from the results that learning organization is a better predictor of employee outcomes than financial performance.

The study also sought to establish the mediation of employee outcomes in the relationship between learning organization and non-financial performance. Non-financial performance was computed as a composite index of customer perspective, internal business process and learning and growth. The Baron and Kenny approach discussed earlier was employed to test this relationship. The results are presented in Table 2

Table 2: Regression Results for the Mediation of Employee Outcomes in the Relationship between Learning Organization and Non-Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Change statistics				
					R Square Change	F Change	Df 1	Df 2	Sig. F Change
Step 1	.627	.394	.383	.01474					
Step 2	.565	.319	.306	.09166					
Step 3	.427	.182	.166	.01762	.182	11.363	1	51	.001
Step 4	.686	.471	.450	.01431	.289	27.299	1	50	.000

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig
1	Regression	.008	1	.008	37.010	.000
	Residual	.012	57	.000		
	Total	.020	58			
2	Regression	.208	1	.208	24.794	.000
	Residual	.445	53	.008		
	Total	.653	54			
3	Regression	.004	1	.004	11.363	.001
	Residual	.016	51	.000		
	Total	.020	52			
4	Regression	.009	2	.005	22.261	.000
	Residual	.010	50	.000		
	Total	.019	52			

Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
1 (Constant)	.073	.013		5.671	.000
Learning Organization	.509	.084	.627	6.084	.000
2 (Constant)	.364	.085		4.258	.000
Learning Organization	2.745	.551	.565	4.979	.000
3 (Constant)	.088	.019		4.708	.000
Employee Outcomes	.079	.024	.427	3.371	.001
4 (Constant)	.049	.017		2.860	.006
Employee Outcomes	.021	.022	.115	.967	.338
Learning Organization	.553	.106	.621	5.225	.000

Model 1 Predictors: Learning Organization

Model 2 Predictors: Learning Organization

Model 3 Predictors: Employee Outcomes

Model 4 Predictors: Learning Organization, Employee Outcomes

Dependent Variable

Model 1,3,4: Non-Financial Performance

Model 2: Employee Outcomes

Source: Primary Data (2015)

Step One: The Influence of Learning Organization on Non-Financial performance

In this step, the dependent variable was regressed on the independent variable. This was to determine whether the independent variable (learning organization) is a significant predictor of dependent variable (non-financial performance). The results in model 1, indicate that 39.4 percent of variance in non-financial performance was explained by learning organization ((R^2= 0.394, P<0.05). This implies that 60.6 percent of variation in non-financial performance was not explained due to other factors not captured in the model. The overall model was statistically significant (F= 37.010, P<0.05). Further, the beta coefficients were statistically significant (β=0.509, t=6.084, P<0.05). Specifically, one unit change in learning organization is

associated with 0.509 change in non-financial performance.

Step Two: The Influence of Learning Organization on Employee Outcomes

The second step was meant to determine the influence of learning organization on employee outcomes. The results in step two indicate that 31.9 percent of variation in employee outcomes is explained by learning organization (R^2=0.319, P<0.05) However, the model did not explain 68.1 percent of variation in employee outcomes, suggesting that there are other factors which affect employee outcomes which were not captured in the model. R^2 changes from 0.394 in step one to 0.319 in step two (R^2 change=-0.075). The F ratio was statistically significant (F=24.794, P<0.05). Equally, the beta coefficients for learning organization were statistically significant (β= 2.745, t=4.979, P<0.05). This implies that one unit change in learning organization is associated with 2.745 change in employee outcomes. The second step in testing for mediation was met.

Step Three: The Influence of Employee Outcomes on Non-financial Performance

In step 3, the influence of employee outcomes on non-financial performance was tested. The results indicate that 18.2 percent of variance in non-financial performance was explained by employee outcomes (R^2= 0.182, P<0.05). R^2 changes from 0.319 in step two to 0.182 in step three, suggesting that employee outcomes is a weak predictor of non-financial performance. The overall model was statistically significant (F=11.363, P<0.05). The change in F ratio (F change = 11.363) at P<0.05 was statistically significant. The results were further confirmed by the beta coefficients (β= 0.079, t= 3.371, P<0.05) which were statistically significant. Condition three in testing for mediation was thus met.

Step Four: The Influence of Learning Organization and Employee Outcomes on Non-financial Performance

In step four, multiple regression analysis was performed to determine whether the influence of learning organization on non-financial performance was direct or through employee outcomes. The results reveal 47.1 percent of variation in non-financial performance was explained by learning organization and employee outcomes (R^2=0.471, Equally, the F ratio was statistically significant (F=22.261, P<0.05). The change in F ratio (F change=27.299) at P<0.05 was statistically significant. When controlling for mediation, the beta coefficients for employee outcomes (β=0 .021, t=.967, P>0.05) were not statistically significant while learning organization (β= 0.553, t=5.225, P<0.05) remained statistically significant.

Mediation is supported if the effect of independent variable (learning organization) is no longer significant when controlling for the effect of the mediator (employee outcomes) on dependent variable (non-financial performance). In this study, the effect of employee outcomes was not significant while learning organization was significant hence mediation was not supported.

Discussion

Although mediation was not supported, the second step in testing for mediation on financial performance was statistically significant. The results in step two established a significant relationship between learning organization and employee outcomes. In testing for mediation of employee outcomes in the relationship between learning organization and non-financial performance, results in step three indicate that employee outcomes had a significant influence on non-financial performance.

Findings on the significant influence of learning organization on employee outcomes are consistent with previous empirical studies (Huselid, 1995; Ibua, 2014; Sagwa, 2014). The results lend support to a number of empirical studies that established a significant relationship between learning organization and organizational commitment (Rodriguez & Ventura, 2003; Kidombo, 2007; Bhatnagar, 2007; Aghaei, Ziaee&Shahrbanian, 2012; Mulabe, 2013).

The strong and positive relationship between learning organization and employee outcomes established in the current study provides additional support to prior research that confirmed learning organization exerts a strong positive impact on job satisfaction (Eylon& Bamberger, 2000; Egan, Yang & Bartlett, 2004; Chang & Lee, 2007; Chiva&Alegre, 2009).

The positive relationship between employee outcomes and non-financial performance established in this study is in line with previous theoretical assumptions. Huselid (1995) noted that the behavior of employees within firmshas important implications for organizational performance. Appropriate systems of human resource management practices can affect individual work attitudes and subsequently firm performance through their influence on employee skills and motivation. These attitudes are expected to lead to high job performance, employee productivity and increased firm effectiveness (Guest, 1987).In addition, Youndt, Snell, Dean and Lepak (1996) argue that people possess skills, knowledge and abilities which provide economic value to the firm. Thus, the value of human capital is dependent upon its potential to contribute to competitive advantage (Lepak& Snell, 1998).

The study revealed that the influence of learning organization on firm performance is not mediated by employee outcomes. These findings lend support to previous studies.Sagwa (2014) found that the effect of human resource management practices (HRMP) on performance of firms listed at the Nairobi Securities Exchange was not mediated by employee outcomes. The researcher observes that this insignificant relationship can be attributed inability of systems of HR policies, practices, programmes and processes to attend to performance needs of employees. Ibua (2014) established that job-related attitudes do not mediate the relationship between empowerment and organizational performance of Public Universities in Kenya. Lack of support for mediation of employee outcomes in the relationship between learning organization and firm performance in this study could be attributed to challenges facing manufacturing firms in

Kenya. According to Manufacturing Survey (2012) firms in this sector face a myriad of challenges ranging from lack of competitiveness, unpredictable polices, corruption, high levels of crime, lack of confidence in the judicial system to the manner in which the government levies taxes which affects investment decisions. This implies the firms are preoccupied with addressing these challenges which in turn affects their ability to meet employee expectations, hence decreased firm performance.

Conclusion

The findings of the study that did not provide sufficient evidence to support mediation of employee outcomes in the relationship between learning organization and firm performance. To deal effectively with challenges facing manufacturing sector, the firms need to adopt a learning orientation and strongly focus on strengthening work-related attitudes in order to improve firm performance. Top management should regularly initiate training and development opportunities, create a conducive atmosphere for employees to engage in dialogue and inquiry, encourage team learning and allow participative decision making. Manufacturing firms should develop systems that allow easy access to information, emphasize on employee contribution to the organization, proactively carry out environmental analysis and use this information to improve work practices and respond to customer needs. In addition, organizational leaders should use learning to create change and move the organization in new directions.

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